



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

May 2, 2002

H.R. 2941 **Brownfields Redevelopment Enhancement Act**

*As ordered reported by the House Committee on Financial Services
on April 11, 2002*

SUMMARY

CBO estimates that implementing H.R. 2941 would cost \$96 million over the next five years, assuming the appropriation of the necessary amounts. Of this amount, \$65 million would be used by the Department of Housing and Urban Development (HUD) to provide grants to local and tribal governments to support the environmental cleanup and economic development of brownfield sites. (Brownfields are properties where the presence, or potential presence, of a hazardous substance complicates the expansion or redevelopment of the property.)

The remaining \$31 million of the bill's estimated cost of \$96 million would be used by HUD to establish a pilot program to encourage more communities to support redevelopment efforts at brownfield sites. Under such a program, communities would use their section 108 loan guarantee funds in conjunction with a brownfields grant to make loans to third parties who are interested in redeveloping brownfield sites. In turn, HUD would pool together such loans and then use the majority of the appropriated funds to establish a shared loss reserve for these new loans. Participating communities would then no longer have to use their community block grant development funds to pay for defaults on such loans, and they could receive a share of this reserve after any default payments are made.

Enacting H.R. 2941 would not affect direct spending or receipts; therefore, pay-as-you-go procedures would not apply. H.R. 2941 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). The grant programs in the bill would provide benefits to local and tribal governments engaged in the redevelopment of brownfield sites.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 2941 is shown in the following table. The costs of this legislation fall within budget function 450 (community and regional development).

	By Fiscal Year, in Millions of Dollars					
	2002	2003	2004	2005	2006	2007
SPENDING SUBJECT TO APPROPRIATION						
Brownfields Redevelopment Spending Under Current Law						
Budget Authority ^a	25	0	0	0	0	0
Estimated Outlays	20	21	19	14	8	5
Proposed Changes:						
Brownfields Redevelopment Grants						
Estimated Authorization Level	0	25	25	25	25	25
Estimated Outlays	0	1	6	14	20	24
Pilot Program						
Estimated Authorization Level	0	11	11	11	0	0
Estimated Outlays	0	2	6	9	9	5
Total Changes						
Estimated Authorization Level	0	36	36	36	25	25
Estimated Outlays	0	3	12	23	29	29
Brownfields Redevelopment Spending Under H.R. 2941						
Estimated Authorization Level ^a	25	36	36	36	25	25
Estimated Outlays	20	24	31	37	37	34

a. The 2002 level is the amount appropriated for that year for the Brownfields Redevelopment Program.

BASIS OF ESTIMATE

For purposes of this estimate, CBO assumes that the bill will be enacted before the start of fiscal year 2003 and that necessary amounts will be appropriated for each fiscal year. Estimated outlays are based on historical spending patterns of similar HUD programs.

CBO estimates that HUD would use an appropriation of \$25 a year over the 2003-2007 period to provide grants to public entities for assistance in the cleanup and redevelopment of brownfield sites. Enacting this legislation also would remove the requirement that brownfield redevelopment grants be used in conjunction with section 108 community development loan guarantees.

According to HUD, it would take about three years to implement a pilot program aimed at encouraging additional redevelopment efforts at brownfield sites. Based on the number of communities likely to participate and on previous HUD proposals to establish such a pilot program, CBO estimates that HUD would need \$11 million annually over the next three years. If appropriated, we estimate that such funding would be spent over the next six years at rates similar to the disbursement rate for section 108 loan guarantees.

PAY-AS-YOU-GO CONSIDERATIONS: None.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 2941 contains no intergovernmental or private-sector mandates as defined in UMRA. The grant programs in the bill would provide benefits to local and tribal governments engaged in the redevelopment of brownfield sites.

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